

The Winds of the Earth, the



***"I'll Make the Products I Want to Create"
That's when "Towels Woven by the Wind"
gained a human character and took global flight.***

Keishi Ikeuchi

Representative Director,
Ikeuchi Towel Co., Ltd.

My years at Matsushita Electric Industrial Co., Ltd. taught me the importance of originality.

To become a doctor or a lawyer? Those were the options I originally had in mind when pondering my future. The problem was, although I was OK at math, my Japanese language abilities were not that great. Just as I was wondering what to do, I found out how Hitotsubashi University weights different subjects in its entrance exams. Math and English figure heavily, and the Japanese portion is quite difficult. If the Japanese part were easy, it would clearly sort out the students who are good at it from those who are not, whereas such a spread is less likely with a truly difficult exam. At least that's how I reasoned as I sat for the exam. My choice of the Faculty of Commerce and Management may have been influenced somewhat by my family's being in the towel business.

Once I became a university student, my days were occupied playing mahjong. When I was about to turn 60 and had a chance to reunite with members of my Chinese language class, I could easily spot my former mahjong buddies but hardly recognized the more serious students.

My life changed when I visited the Tokyo branch of Matsushita Electric Industrial (now Panasonic) to pick up a job application form for a friend. I told the person in charge that I myself had an interview with a trading firm and did not intend to apply at Matsushita, but then I received a phone call asking me to show up for an interview. "I've come to Tokyo to set up interviews for students like you," the caller told me. "There's an Expo being held in Osaka. We'll provide round-trip 1st-class Shinkansen (Bullet Train) tickets, and you can stay at our lodging in Senri near the Expo." Who could refuse such an offer? Matsushita, of course, has business locations all over Japan but is headquartered in Osaka; and most of its employees at the time were from Kansai schools, with very few coming from Hitotsubashi. Maybe that explains the invitation.

As an avid audiophile from early on, I did not have much regard for the Technics audio equipment put out by Matsushita at the time. They were clearly latecomers to the

audio business. In fact, Technics was in an awkward position. It had to reestablish its product concept by acknowledging their own inadequacy. Yet that was the workplace I was jumping into.

Without my experience at Matsushita Electric, the "Towels Woven by the Wind" of Ikeuchi Towel may never have come about. I was fortunate to work under a brilliant boss, during the period when Technics was being developed into a respectable brand. It was drilled into us repeatedly that second best was not good enough, and only something original would be acceptable to our customers. I learned about the basic approach to marketing and brand formation.

I resolved to make the kinds of towels I truly wanted to create.

After working at Matsushita Electric for 12 years, I returned to my birthplace of Imabari, in Ehime Prefecture, on February 11, 1983. That day was the 30th anniversary of Ikeuchi Towel's founding, and also would have been my father's 70th birthday. Unfortunately, he had suffered a stroke and passed away before that day arrived. The company's 30th anniversary was the day of my father's funeral, and the day I took over the company operations, becoming its president.

Imabari is an interesting place. Even though I did not know my right hand from my left, they made me a board member of the towel industry association and demanded that I share the know-how from my years in a big corporation.

Towel manufacturing actually takes 13 or 14 steps, each of them performed by various specialized companies. Ikeuchi Towel was responsible only for the planning, weaving, and inspection. Under this arrangement, if you wanted to do something new, you had to obtain the understanding of the other companies. Still, there was close collaboration among each of the companies, as they introduced computerization to shorten delivery time, for example. Many people have helped the industry to get where it is today.

Having worked as a corporate planner in my Matsushita Electric days, I was determined that if I was going to make towels, they would be the kinds of towels I wanted to make. That would require becoming a towel professional, I realized, so I devoted considerable research to the topic. I think I managed to become more knowledgeable about the systems for towel manufacturing than any other of the company presidents.

Local Winds in Ehime

風



The opening of the Setouchi Shimanami Kaido gives rise to towels imbued with the maker's dreams.

The event that led to our starting up our own brand was the opening of the Setouchi Shimanami Kaido in 1999, with the completion of a bridge connecting Hiroshima Prefecture to Imabari in Ehime.

Japan's towel market is made up almost entirely of licensed brands. Ikeuchi Towel in those days manufactured towels under all kinds of different brand names, producing as many as five million towels a year. On the occasion of the Setouchi Shimanami Kaido opening, Imabari was building a center promoting local products, and we decided to exhibit there. The licensors, however, did not permit us to sell our products at the center even though they were manufactured by us. We even offered to buy the products back from the licensors, but they would not give us the selling rights. That being their brand strategy, there was nothing we could do but accept it.

Taking this pinch as a chance, we decided to come out with a towel that embodied the dreams of the maker. This is how the IKT brand was born. The main requirement was that people would like the towels enough to use them for a long time: good and lasting products. We also wanted to manufacture towels that gave customers maximum peace of mind with the minimum environmental impact.

First of all we chose to use the same thin, soft thread used for men's dress shirts, in twisted pairs and with double the normal loop length. For stiffening we used edible starch.

The safety of these towels has been certified by the Swiss organization Öko-Tex based on their most stringent Class 1 standard, which means infants can suck on them safely.

From an environmental standpoint, we use only organic cotton. Some 40 to 60 percent of the world's pesticides and other agricultural chemicals are said to be used in cotton production. Even if it meant a somewhat higher cost, we felt that the use of organic cotton was the best policy. Moreover, the electricity used in manufacturing our towels comes 100 percent from wind power—hence the phrase, Towels Woven by the Wind. For this purpose we purchase 250,000 kW of electricity a year from the Noshiro Wind Power Station in Akita Prefecture. We have also earned ISO 14001 (environmental management systems) and ISO 9001 (quality management



The Winds of the Earth, the Local Winds in Ehime

and quality assurance) certification.

Given our aim to have customers become life-long users of our towels, we strive for customer satisfaction by continually raising the quality hurdles to higher levels, rather than by coming out with new designs periodically.

The first Japanese company to be awarded "Best New Product" at New York's Home Textile Show

Ikeuchi Towel having started out as an export firm, I wanted to travel to the USA and Europe if the chance arose. I thought about showing our products at American trade fairs in order to hear directly from overseas customers. When I suggested this to our employees, they responded with "Let's do it!" Our company has from the start been open to taking on new challenges, early on adopting the latest loom technology and introducing CAD in manufacturing, for example. Backed by this spirit, in 2000 I departed for the California Gift Show in Los Angeles.

In the belief that good products would sell themselves, we showed off our top-of-the-line towels, with the most elaborate designs; but the Americans showed absolutely no interest in them. It turns out that people view towels differently in Japan and the US. Around 80 percent of demand in Japan is for gifts, so the key is how beautifully they can be displayed

in their package. In the US, on the other hand, most people buy towels for their own use. They prefer to buy simple towels that will go well with their bathroom décor. We did, however, receive lavish praise for the "miraculous" softness of our towels.

Then in 2002 at the Home Textile Show in New York City, we became the first Japanese company to be awarded the "Best New Product" prize. This was for a towel sold only

locally at our factory shop; but the award having forced our hand, we ended up selling it to the general public.

Prime Minister Koizumi's plug gives us a big boost...or so we thought.

In 2003, then Prime Minister Koizumi in his policy speech before the Diet mentioned Ikeuchi Towel as a company competing well in overseas markets. Before long a TV station called on us, airing a report in May. The response was unbelievable, as the phone was ringing off the hook and our Web site couldn't cope with the surge in traffic. We didn't have the inventory to fill the orders that came in. We promised to have products ready by September when the fall items were to go on sale. The number of shops in Japan handling our products increased sharply.

Things were looking up, but a disaster was waiting to unfold. Just as we were preparing to sell our products nationwide, a wholesaler handling around 70 percent of our products declared bankruptcy. As a result, a large amount of our accounts receivable became irrecoverable. We found ourselves in a hopeless situation with no way out but to file for bankruptcy protection ourselves. Our main bank, Iyo Bank, set up a project team to get us on the road back to recovery.



1 Cotton towels embodying the know-how and uncompromising insistence on excellence of IKT, recognized as the world leader in organic towels. The cotton is produced only in fields and spinning mills certified as compliant with the strictest environmental standards. The dyes used for coloring must have low environmental impact, and underground water from the Ishizuchi mountain range is used for the washing processes. The result is towels safe enough for infants to suck on.



2 The basic philosophy of IKT is providing maximum peace of mind with the minimum environmental impact. In 2001 IKT received a New Energy Award from the New Energy Foundation, which is associated with Japan's Ministry of International Trade and Industry, for becoming the first company in Japan to rely 100 percent on wind power for all electrical needs.



3 The company shows its products at overseas trade fairs every year. It was recognized as a finalist in the 2004 New York Home Textile Show awards.



4 Towels made of eco material blending fibers of bamboo, with its fast growth cycle. They feature a luster not possible with cotton alone and an extremely soft feel. Being 1.7 times more absorbent than cotton towels, they practically do away with the need for a hair dryer.

“How many should we buy?” IKT fans give us needed support.

We were fortunate to have the backing of devoted IKT fans all over Japan. Towels Woven by the Wind had originally spread mainly through word of mouth. IKT fans shared our philosophy and understood our products from actual use. When news of the bankruptcy appeared in the media, we received hundreds of messages from people throughout the country. Words like, “How many towels should we buy to save the company?” gave us encouragement beyond measure.

The President of Iyo Bank also heard from our fans. Later he confided, half-jokingly, that he was done in by the IKT fans. “I couldn't imagine their reaction if our bank failed to take some action.” At the civil court in charge of the proceedings, the presiding judge encouraged us, saying, “I've been using your towels for the past two years. I'm certain you'll be able to turn the company around, so please don't give up.”

One option in the rehabilitation plan was for us to specialize in OEM production of towels and handkerchiefs, which made up the majority of our sales at the time. With the kind of backing we received, however, we were determined to rebuild our fortunes on the Towels Woven by the Wind. Since sales of our own brand made up only 1 percent of total sales, at 7 million yen, from a strictly rational standpoint this may have seemed like a foolish decision. Still, we wanted to get back to the basic principle of making the kinds of towels we wanted to create. So in hindsight it can be said that the civil rehabilitation procedures enabled us to be totally devoted to the Ikeuchi Towel policies and concepts.

Investors were impressed by our principled approach.

Our brand having been built on word-of-mouth, we answered all correspondence ourselves, in the belief that nothing is more important than communication with customers. Since IKT fans are aware of what they are buying, they recognize right away when they see someone else using one of our products. A pitcher who became an overnight sensation in the nationwide high school baseball tournament had an IKT towel with him when he left for a trip to play in the US. We were soon deluged with phone calls from people who had seen him on TV and wished to know exactly what towel he was carrying. We wanted to take our next step in collaboration with customers like that.

The bankruptcy proceedings in our past made it difficult to obtain funding freely, but we had a chance to make a presentation before investment companies at an event in Tokyo sponsored by the Ministry of Economy, Trade and Industry (METI). With the textile industry being in an environment that could be described as high-risk, low-return, we were concerned about whether any investment firms would show an interest. When we presented our business plans including a possible public stock offering, however, we were approached by several investment firms, including some who had already decided the amount of their funding. Our aim was to become a totally organic textile company. Numerous firms were ready to support a company seriously carrying out its manufacturing craft based on its own philosophy.

Incidentally, up to this point there had been almost no con-

nections to Hitotsubashi alumni; but more recently we have had contact with many of them, including investment firm staff, and have begun to establish business relationships with them.

The singular character of Towels Woven by the Wind

Towels Woven by the Wind seem to have a character of their own. They are not under my control, but move of their own volition. I am simply being used; people who want the towels just walk off with them. The business is established in this way. Or that's how it seems to me.

The brand name was originally Ikeuchi Towels. People in the US tended to pronounce the I as in Iceland. Our dream was to sell them worldwide, so we changed the brand to IKT, which people all over the world can say in the same way. But then customers started asking, What about the towels woven by the wind? We decided if that was the case, it would be better to have that as our domestic brand. On June 10, 2004, we launched the Towels Woven by the Wind brand.

I believe the Ikeuchi Towel business model is applicable to other industries. There are countless environment-oriented approaches, and the model is especially suited to small and medium-sized companies. I also believe the shortest route to business is to carry it out in the US. The US is a country where you can sell things at trade fairs. Simply by exhibiting, you can decide right on the spot whether you are going to succeed. If your product does not sell, there is something wrong with your approach; and if it sells there, you have proof of acceptance.

So long as the concept is a solid one, there will surely be customers who support it. The experience of Ikeuchi Towel demonstrates this.



Keishi Ikeuchi

Born in 1949 in Ehime Prefecture. After graduating from the Faculty of Commerce and Management at Hitotsubashi University in 1971, he joined Matsushita Electric Industrial Co., Ltd. (now Panasonic). He took over operation of Ikeuchi Towel in 1983 as Representative Director. In 2000 he became Deputy Director of the Shikoku Towel Industry Association. One of his company's towels won “Best New Product” award at New York's Home Textile Show in 2002. The company was forced to file for bankruptcy protection in 2003 but made a remarkable turnaround. In 2007, the Small and Medium Enterprise Agency selected Ikeuchi Towel as one of 300 small and medium-sized companies most actively carrying out the manufacturing craft. He readily admits to being a fanatical audiophile.